ESG

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ESG Country Updates

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Singapore

- Singapore and Indonesia are planning for a new subsea electricity cable connecting both countries, that will support Singapore's target of importing up to 6GW of low-carbon electricity by 2035. The Singapore Government has also appointed the Singapore Energy Interconnections (SGEI), a newly incorporated government-linked company, to specialise in developing cross-border power infrastructure. These are positive developments towards enhancing regional energy security via the ASEAN power grid, although barriers such as the lack of electricity pricing mechanisms need to be overcome.

Malaysia

- Malaysia is considering allowing companies to offset up to 5% of their emissions under a planned carbon tax set to be implemented by 2026, as part of efforts to stimulate demand in the domestic carbon market. The carbon tax is likely to cover emissions-intensive sectors including iron, steel and energy sectors to drive greater decarbonisation efforts in these sectors. Utilising high-quality carbon credits can provide an additional decarbonisation pathway for hard-to-abate sectors that may find it challenging to reduce residual emissions.

Indonesia

- Indonesia plans to add 69.5 GW of power capacity by the end of 2034, much of it from renewable sources, but it still expects to add new coal-fired power plants rather than retiring coal assets. The highlights longstanding challenges in the early retirement of coal-fired power plants, such as the lack of funding and high interest rates. Indonesia also plans to invest in nuclear power, with 0.5GW of energy to come from nuclear power plants built around the region of Sumatra and Borneo, with the first to begin operations in 2032.

Rest of the world

- The EU is nearly on track to reach its main climate target for this decade, with countries' existing emissions reduction plans set to reduce its net greenhouse gas emissions by 54% by 2030 compared with 1990 levels, 1% away from its goal of a 55% cut. There was strong progress made in the energy sector, with renewable sources covering 24% of EU energy consumption in 2023. However, the UN has warned that there is a 70% chance that average global warming from 2025 to 2029 would exceed the 1.5°C international benchmark with existing efforts.

Special Coverage: Establishing ASEAN power grid faces ongoing challenges

- Singapore, Malaysia and Vietnam will jointly explore the export of renewable energy following an agreement signed by Singapore's Sembcorp Utilities, Vietnam's Petrovietnam Technical Services Corporation, and the Malaysia Energy Consortium on 26 May to collaborate on developing a new electricity link.

- Under the agreement, the parties will evaluate the feasibility of Vietnam sending power, particularly offshore wind, via subsea cables to Malaysia before it is transmitted to Singapore. The parties are also exploring a direct subsea link from Vietnam to Singapore. Singapore and Indonesia are also planning for a new subsea electricity cable connecting both countries. These efforts signify progress towards the broader vision for an ASEAN power grid that aims to provide the region with a more resilient and reliable energy supply.

- However, there are significant challenges such as insufficient power generation capacity of exporting countries, lack of electricity pricing mechanisms and inadequate grid infrastructure. The lack of excess renewable power generation capacity in exporting countries may lead to supply disruptions. Regulatory and economic difficulties can also arise from different pricing mechanisms and market structures when creating integrated regional power markets and complicate the calculation of the price of traded electricity.

- The integration of large-scale infrastructure connecting different countries requires the coordination of regulations across various countries that may take time as well. The region also requires significant investments to upgrade domestic and regional infrastructure to enhance grid stability and security, such as incorporating energy storage systems into the power grid that can store excess energy generated during periods of high production and discharge it during periods of high demand.

Carbon Markets: Weekly Overview

ETS Markets	Price	Weekly change	Week high	Week low
EU ETS (EUR/ton)	70.41	-1.6%	73.03	70.41
China ETS (CNY/ton)	68.46	-1.4%	69.41	68.21

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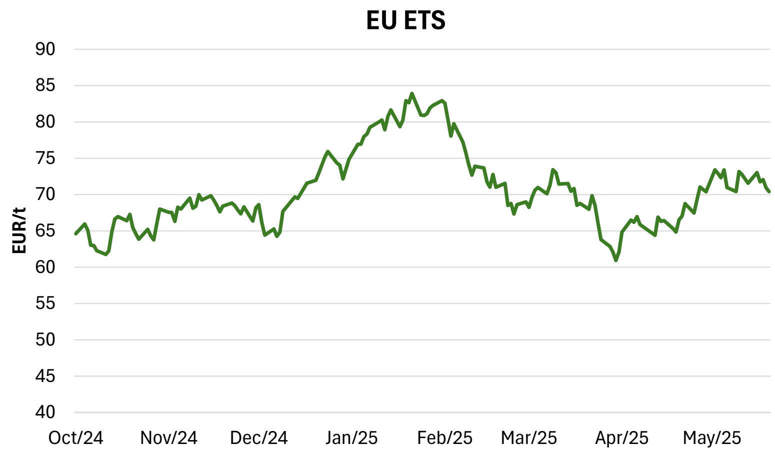
<tr><th>Market</th><th>Commentary</th></tr>
<tr><td>EU ETS</td><td>

EU ETS prices fell by 1.6% despite bullish signals from the release of the total number of allowances in circulation (TNAC) data. Uncertainty over the future of US tariffs is fuelling market volatility, as market participants speculate that the Trump administration may still seek ways to push its tariff agenda forward.



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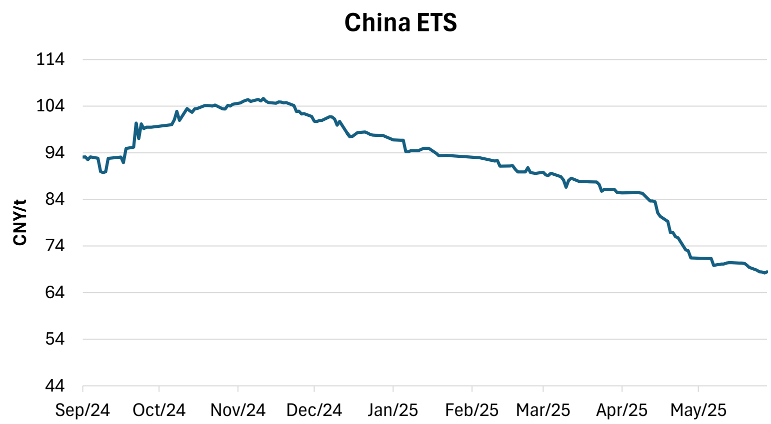
<tr><td>China</td><td>

National ETS: Trading activity slowed last week ahead of a national holiday, with China ETS prices continuing to fall amid bearish sentiment.

China Certified Emission Reduction: CCER traded volume was 85,130 tons, with a price range of CNY 85-88.57/t. Market participants are anticipating the second batch of CCERs to be issued.

Pilot ETSs: Most of the average price in the pilot ETSs showed an increase, with traded volumes nearly four times that of the previous week. The Guangdong and Hubei pilot ETSs contributed to 88.67% of the volume.



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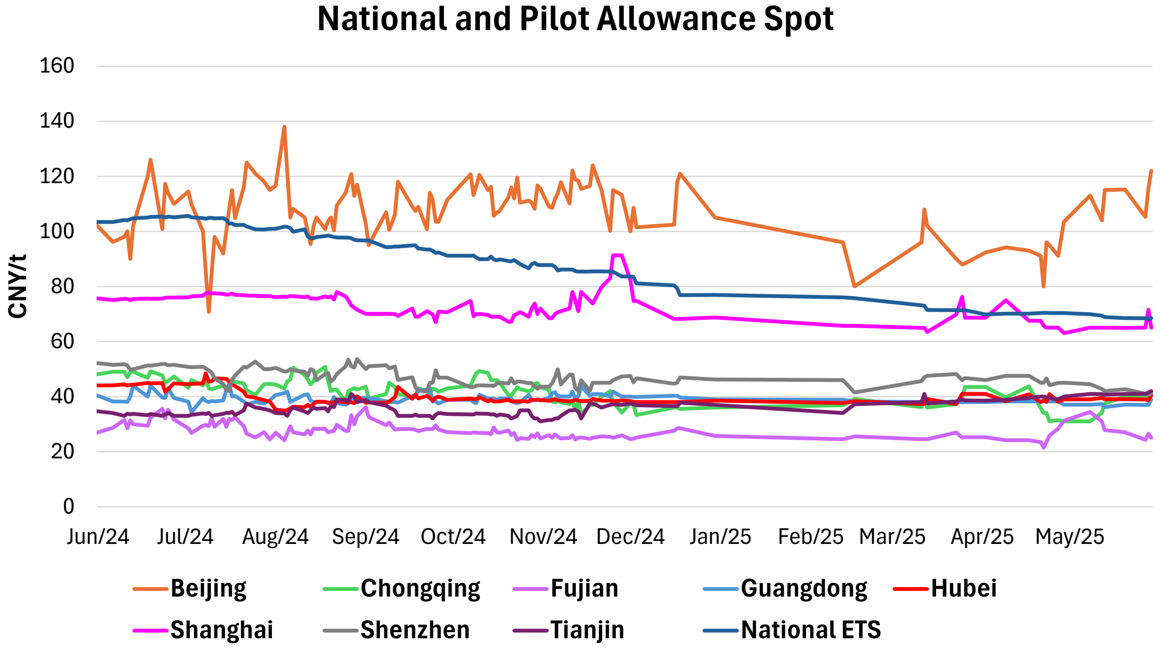
China



Pilots	Closing price on listed trade (CNY/t)	Weekly change (%)	Weekly volume on listed trade (ton)
Beijing	122.00	5.90	2,007
Chongqing	41.25	10.00	4
Fujian	25.00	0.00	-
Guangdong	38.97	4.53	189,905
Hubei	40.44	3.64	178,645
Shanghai	65.00	0.00	2,005
Shenzhen	41.01	-2.36	32,026
Tianjin	42.00	2.44	11,030

Source: Refinitiv Workspace, Carbon Pulse

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